

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SS-20 NSC-07 L-03 H-03 STR-08 TAR-02

AID-20 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06

SIL-01 OMB-01 DRC-01 /144 W  
----- 057008

R 312106Z JUL 74

FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC 7524

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E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVAILING DUTY PROCEEDINGS: ARGENTINE FOOTWEAR

REF A. STATE 160795, B. BA 5313, C. BA 5499, D. STATE 165401

1. APPOINTMENT REFERRED TO IN REF C, WITH UNDERSECRETARY VARTALITIS, WAS GRANTED FOR AFTERNOON OF JULY 30. REF D WAS RECEIVED BY ACTION OFFICER UPON RETURNING TO THE EMBASSY FROM THE APPOINTMENT. HOWEVER, EMBOFF'S REPRESENTATIONS, MADE ON THE BASIS OF REF A, WERE IN CONSONANCE WITH INSTRUCTIONS GIVEN IN REF D.

2. AFTER EMBOFF HAD MADE POINTS CONTAINED IN PARA 1 REF A (WITHOUT MENTIONING TECHNICAL QUESTIONS), VARTALITIS SAID THAT THE INTERMINISTERIAL COMMISSION MENTIONED IN REF B WAS TO FINISH ITS WORK ON JULY 31 AND WOULD SEND ITS RECOMMENDATIONS TO SECRETARY TETTAMANTI AND MINISTER GELBARD. HE SAID THAT ON BASIS OF THIS RECOMMENDATION, THE "POLITICAL DECISION" WOULD BE MADE AS TO WHETHER OR NOT TO CONSULT WITH US, AND IF SO, ON WHAT TERMS. HE INDICATED THAT THE COMMISSION'S TECHNICAL RECOMMENDATION WOULD VERY LIKELY BE THAT MENTIONED IN PARA 2 REF B. HE REITERATED HIS DOUBTS THAT THE GOA WOULD BE  
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WILLING TO CONSULT ON THE BASIS OF GIVING US DETAILED BREAKDOWNS

OF THE WAYS IN WHICH THEIR EXPORT SUBSIDIES ARE GRANTED, AND THE PRECISE AMOUNTS OF THE TAXES REBATED, ETC. HE SAID THAT TO DO SO WOULD BE TO ADMIT THAT THEY DO GRANT SUBSIDIES AND WOULD NECESSARILY CAUSE US TO IMPOSE A COUNTERVAILING DUTY. HE SHOWED EMBOFF A DETAILED BREAKDOWN APPLICABLE TO SEVERAL SPECIFIC FOOTWEAR MANUFACTURERS. (HE ASKED THAT WE NOT REVEAL THAT HE DID SO). IN NINE OF THESE CASES, HE EXPLAINED, COULD THE GOA JUSTIFY LEGITIMATE REBATES OF TAXES TALLING MORE THAN 16 PERCENT.

3. HE IMPLIED THAT TO GIVE US PRECISE DETAILS OF THEIR SYSTEM AND TO HAVE US SUBSEQUENTLY APPLY A COUNTERVAILING DUTY WOULD GIVE A STRONG FLAVOR OF GOA ACQUIESCENCE IN THE COUNTERVAILING DUTY. VARTALITIS SAID THAT A COUNTERVAILING DUTY IN THE NEIGHBORHOOD OF 14-15 PERCENT WOULD PUT THEM OUT OF THE US SHOE MARKET AS EFFECTIVELY AS A DUTY OF 30 PERCENT OR MORE. HE IMPLIED THAT THEY WOULD PREFER TO HAVE US IMPOSE THE HIGHER DUTY BUT WITHOUT ANY APPARENT COOPERATION FROM THE ARGENTINE GOVERNMENT THAN A LOWER ONE WITH SUCH COOPERATION.

4. HE DID NOT RULE OUT SOME SORT OF CONSULTATION, BUT APPARENTLY FELT THAT THE PURPOSE OF THIS CONSULTATION WOULD BE TO PERSUADE USG TO SEEK SOME SOLUTION WHICH WOULD NOT REQUIRE THE GOA TO CHANGE ITS SYSTEM. HE SAID HE FELT THAT DEFINITION OF "SUBSIDY", "BOUNTY", OR "GRANT" IS A MATTER OF INTERPRETATION, AND WE COULD, IF WE WISHED, INTERPRET GOA EXPORT BENEFITS AS NON-SUBSIDIES. VARTALITIS MADE ARGUMENT THAT THEIR EXPORT BENEFITS ARE NOT REALLY SUBSIDIES BECAUSE THEY ARE A PARTIAL DEVALUATION FOR ENTIRE RANGE OF INDUSTRIAL PRODUCTS, IN SUBSTITUTION FOR REAL DEVALUATION WHICH FOR POLITICAL REASONS GOA DOES NOT WISH TO DO. EMBOFF SAID HE FELT IT MOST UNLIKELY THAT USG COULD ACCEPT THESE ARGUMENTS.

5. VARTALITIS REFERRED ON SEVERAL OCCASIONS TO HIS CORDIAL MEETING WITH ASSISTANT SECRETARY KUBISCH, AND EXPRESSED CONFIDENCE THAT MR KUBISCH WAS WELL DISPOSED TO HELP FIND A SOLUTION. EMBOFF AGREED THAT MR KUBISCH AND OTHER OFFICIALS IN STATE AND TREASURY WERE WILLING TO WORK TOGETHER IN CONSULTATION WITH GOA TO TRY TO SOLVE THE PROBLEM, BUT THAT CONSULTATIONS WOULD NECESSARILY REVOLVE AROUND A CLEAR UNDERSTANDING ON LIMITED OFFICIAL USE

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BOTH SIDES OF THE DETAILS OF THE GOA EXPORT BENEFITS SYSTEM.  
DECON 7/31/75.  
HILL

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOOTWEAR, COUNTERVAILING DUTIES, MEETINGS, MEETING PROCEEDINGS, EXPORT DATA, EXPORT SUBSIDIES, TRADE COMPLAINTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BUENOS05689  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740209-0003  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974074/aaaaacsv.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** A. STATE 160795, B. BA 5313, C. BA 5, 499, D. STATE 165401  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 SEP 2002 by shawdg>; APPROVED <20 FEB 2003 by boyleja>  
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**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COUNTERVAILING DUTY PROCEEDINGS: ARGENTINE FOOTWEAR  
**TAGS:** ETRD, AR, US, (VARTALITIS)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005